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Economic and Political Realities

During the 1990s, changing policies, a severe drop in crude oil prices, inflation, capital flight and an overvalued currency, as well as high unemployment, brought uncertainty into the Venezuelan investment climate. According to the GOV's Central Office of Statistics, 1.6 million workers, or 15.3 percent, were unemployed in January 2001. The true level of unemployment is probably higher since the government counts underemployed persons as employed in the statistics. Of the 8.6 million employed workers, an estimated 4.5 million work in the informal sector (i.e., as street vendors, domestics, small entrepreneurs, etc.), including an estimated 1.2 million children. An estimated 67 percent of the population lives below the poverty line.

The petroleum sector dominates the economy, accounting for approximately one-third of GDP, roughly 80% of export earnings, and more than one-half of government operating revenues. Venezuelan officials estimate that GDP grew about 3.2% in 2000. A strong rebound in international oil prices fueled the recovery from the 1999 recession. Nevertheless, a weak non-oil sector and capital flight have undercut this recovery. The government continues to rebuild after massive flooding and landslides in December 1999 which caused an estimated \$15 billion to \$20 billion in damage.

President Hugo Chavez was elected by popular vote to a six-year term on February 3, 1999.

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Organized Labor in Venezuela

The trade union movement in Venezuela remains the largest and best-organized sector of civil society not under direct government control. The principal trade union in Venezuela is the Venezuelan Confederation of Workers (CTV). The CTV represents over two million workers and is particularly strong in the petroleum, construction and transportation industries as well as in the public sector. The CTV is aligned with the opposition Democratic Action Party and has participated in protests along side the business community against the Chavez government. Over the past two years, the CTV has undertaken an internal process of democratization. Once widely criticized for its dependence on political parties, the CTV has reformed its statutes to enact two critical reforms: direct, universal, secret ballot elections at all levels (union, federation and confederation) and a restructuring from geographic to sectoral units to reinvigorate collective bargaining.

In Venezuela, as is the situation elsewhere, unions foster democracy in three fundamental ways. First, unions promote a culture of negotiation, principally through collective bargaining, which serves to balance the distribution of economic influence in the workplace and in society. Second, unions provide workers with a voice in the political process that reinforces democratic participation in decision-making. Finally, freely elected unions are microcosms of democracy, with internal processes for electing officers, setting policy and adjudicating disputes.

Over the last 18 months, President Chavez' government has viewed the autonomous, democratic CTV trade union with trepidation. On September 9, 2000, President Hugo Chavez stated that "we are going to demolish the CTV" and replace those unions with "revolutionary" leaders and organizations. Chavez referred to the CTV as the "elite that [have] betrayed the working class." In response, the GOV established a new labor organization, the Bolivarian Workers Force (FBT). Both President Chavez and leaders of the FBT publicly stated their intention to replace existing unions, particularly the CTV, with the newly formed FBT. The culmination of these efforts was the call for a national referendum by the GOV to remove all elected union leaders in Venezuela. The referendum was held on December 3, 2000 with reported abstention between 77% (the official

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figure) and 97%. Of those who voted, 65% approved the anti-union referendum. This controversial referendum allowed all registered voters to determine the internal governance of independent labor unions in Venezuela. Through this referendum the GOV intended to secure the FBT as the sole labor federation in Venezuela. However, international labor authorities, including the International Labor Organization (ILO) and the International Confederation of Free Trade Unions (ICFTU) declared the referendum to be in violation of the internationally recognized right of freedom of association and viewed this as unacceptable government interference in organized labor affairs.

In March 2001, at the behest of the ILO and other international actors, the GOV entered into a dialogue with the Venezuelan labor movement and ultimately called for "free" elections at the local, state and national levels in October 2001. On October 25, 2001, an election for the executive leadership of the CTV took place. International monitors from ORIT (Organizacion Regional Interamericana de Trabajadores), the Latin American affiliate of the ICFTU arrived in Venezuela and served as election observers.

U.S. Trade Preferences and Venezuelan Labor Law

Venezuela participates in the USG's Generalized System of Preferences (GSP) program. GSP provides preferential duty free treatment for more than 4,650 products from 140 designated beneficiary countries and territories. GSP eligibility includes meeting worker rights criteria. The language in GSP requires that countries be "taking steps to afford workers internationally-recognized workers rights" including freedom of association, the right to collective bargaining, a prohibition against forced labor, a minimum age for work, and acceptable

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conditions of work related to wages, hours and health and safety.

The ILO has repeatedly expressed concern that the Organic Labor Act passed in 1999 violates freedom of association. These laws require a high number of workers (100 workers) to form an union; impose a 10-year residency requirement on foreign workers before they are eligible to hold trade union offices; and, require that employers negotiate a collective contract with the union that represents the majority of their workers.

Under GSP, a third party may file a petition with the Office of the U.S. Trade Representative requesting that the USG review a country's eligibility on the basis of workers rights violations. Currently, there are no petitions pending against Venezuela.

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